GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4317
ANSWERED ON:11.08.2017
Loan against Brand Value and Promotersâ€™ Share
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Will the Minister of FINANCE be pleased to state:

a) whether the loan against brand value and promoters' share has resulted into Non-Performing Assets;
b) if so, the details thereof;
c) whether the Government has received any suggestion to review the accepting of promoters' share as security/collateral security and banning advance against intangible assets, brand value, goodwill, etc.
d) if so, the details thereof; and
e) the action being contemplated by the Government to stop financing against brand value?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) to (e): As per Reserve Bank of India (RBI) master circular on Loans and Advances dated July 01, 2015 banks are permitted to extend advances to borrowers against Promoters' shares as security/collateral security.

Further, unsecured advances as well as advances secured with intangible security like rights, licenses, brand value, etc. attract higher provisions when they are classified as non-performing advances.
In terms of Reserve Bank of India (RBI) master circular on 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' dated July 01, 2016 the 'unsecured exposures' which are identified as 'sub-standard' would attract additional provision of 10 per cent, i.e., a total of 25 per cent on the outstanding balance.
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